



Guidelines for Board Operation

(1 March 2014)

PaperlinX Limited ABN 70 005 146 350

PaperlinX Limited

GUIDELINES FOR BOARD OPERATION

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PaperlinX Board – Code of Ethics

The Directors of PaperlinX Limited recognise that there are certain fundamental ethical values that underpin their participation as members of the Board and its Committees. Directors are therefore expected to:-

- be committed to the highest standards of integrity.
- be honest and open with each other at all times.
- ensure, to the maximum extent possible, that they do not engage in any other activities that may lead to a conflict of interest with their duties to the company.
- work cooperatively among themselves and with management in the best interests of the company.
- recognise the separate roles and responsibilities of the Board and management.
- develop an understanding of the businesses of the company.
- be diligent and continuously strive to improve the Board's operation.
- observe the spirit and the letter of the law in all countries in which the company operates.
- have an active concern for the well-being of the community and the environment in all countries in which the company operates.
- avoid any behaviour that is likely to reflect badly on the Board and the company.

PAPERLINX LIMITED

GUIDELINES FOR BOARD OPERATION

1. PREAMBLE

The Nomination and Governance Committee has determined the Guidelines which should operate in relation to the operation, structure and composition of the Board and its Committees.

The Guidelines are set out in attachment 1 to this writing.

Also attached are the Charters for each committee of the Board (attachments 2 to 4), the policy regarding trading in company shares (attachment 5) and an outline of Corporate Governance practices (attachment 6).

2. COMMENTS ON GUIDELINES

2.1 Composition of the Board:

2.1.1 Attachment 1 sets out guidelines governing the composition of the Board. The Constitution requires that the Board be comprised of a maximum of 10 Directors and the Guidelines provide caveats as to the number of executive directors.

2.1.2 The present composition of the Board is as follows:

<u>Executive Director</u>	(1)
Andrew Price	

<u>Non-Executive Directors</u>	(2)
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Mr Robert Kaye SC – Chairman
Mr Michael (Mike) Barker

2.1.3 The Board is currently comprised of 3 Directors.

2.2 **Board Members Retirement:**

2.2.1 Item 6.2 of Attachment 1 provides that the Board has adopted a policy that Directors retire permanently and not to be eligible for re-election after a tenure of 11 years or after their 70th Birthday whichever occurs first.

2.2.2 Relevant dates are as follows:

Director	Date initially appointed to The Board	Earlier of 70 th Birthday or 11 years from appointment	Most recent election/re-election date
Mr Mike Barker	27/9/2012	*27/9/2023	2012
Mr Robert Kaye SC	27/9/2012	27/9/2023	2013
Mr Andrew Price	1/9/2012	1/9/2023	2012

* age limit waived.

2.3 **Chairman:**

Section 2 of Attachment 1 sets out certain guidelines regarding the Chairman. Paragraph 2.2 provides for either the appointment of a Deputy Chairman or the nomination of a person who could act as Chairman when required.

2.4 **Nomination and Governance Committee:**

2.4.1 The Charter of the Nomination & Governance Committee is set out in Attachment 2.

2.4.2 The composition of the Nomination and Governance Committee is currently:

Chairman : Mr Robert Kaye SC
Members : Mr Mike Barker
 : Mr Andrew Price

2.5 **Audit Committee:**

2.5.1 The Charter of the Audit Committee is set out in Attachment 3.

2.5.2 The composition of the Audit Committee is currently:

Chairman : Mr Mike Barker
Members : Mr Robert Kaye SC
 : Mr Andrew Price

2.6 **Remuneration & Human Resources Committee:**

2.6.1 The Charter of the Remuneration & Human Resources Committee is set out in Attachment 4.

2.6.2 The composition of the Remuneration & Human Resources Committee is currently:

Chairman	:	Mr Mike Barker
Members	:	Mr Robert Kaye SC Mr Andrew Price

2.7 **Sale and Purchase of PaperlinX Shares by Directors:**

Attachment 6 sets out the Board's guidelines covering the sale or purchase of PaperlinX shares by Directors. The same guidelines apply to senior staff members and others who have access to sensitive company information. Directors are required to comply with the Transacting in Company's Securities Policy at all times.

3. **CORPORATE GOVERNANCE ISSUES**

The Board has approved the Corporate Governance principles as set out in Attachment 6 and as included in the Annual Report.

4. **CONCLUSION**

4.1 **Guidelines:**

The guidelines represent aims that we work towards over a period of time, and it is recognised that there may not be total conformance to them at any one time.

4.2 **Committees:**

Section 4 of Attachment 1 provides that the Board will keep under review the question of additional Board Committees, which should only be constituted if they assist the overall operation of the Company. The establishment of a further committee or committees is a matter for consideration by the Board. Where practicable, membership of Board Committees should be rotated every two or three years and reviewed on an ongoing basis.

4.3 **Corporate Governance:**

PaperlinX supports and is committed to the principles of best practice in corporate governance, applied in a manner that is appropriate to the Company's particular circumstances. In particular, PaperlinX will continue to comply in all material respects with the ASX Corporate Governance Principles & Recommendations subject to exceptions approved by the Board, which will be disclosed as required by the ASX.

PAPERLINX LIMITED

GUIDELINES COVERING PAPERLINX BOARD

OPERATION

1. COMPOSITION

- 1.1 The maximum number of directors is currently set in Rule 49 of the Constitution at ten (10).
- 1.2 There should be a substantial majority of non-Executive Directors over Executive Directors.
- 1.3 Specifically the objective is, over a period of time, to maintain a composition including no more than two (2) Executive Directors.
- 1.4 Executive Directors will not normally be appointed non-Executive Directors on their retirement as executives of the Company.

2. CHAIRMAN

- 2.1 The Chairman of the Board should not be the Chief Executive of the Company.
- 2.2 The Board of the day decides whether or not there shall be a Deputy Chairman. In the absence of a Deputy Chairman, the Board will nominate a Director (who should be a member of the Nomination & Governance Committee) to act in the absence of the Chairman.

3. MEMBERSHIP/ATTENDANCE

- 3.1 Were a vacancy to exist or if it were considered that the Board would benefit from the services of a new Director, the Nomination & Governance Committee would seek to identify the qualities and competencies required to enable the Board to fulfill its responsibilities and recommend candidates with the appropriate expertise and experience.
- 3.2 Board practice is for senior Company executives, nominated by Managing Director, to attend Board meetings.

4. COMMITTEES

The Board will keep the question of Board Committees under review but in general any additional committee or committees should only be constituted if they assist the overall operation of the Company.

The current Board Committees are:

- Nomination & Governance Committee
- Audit Committee
- Remuneration & Human Resources Committee

5. PROCESS FOR EVALUATING THE PERFORMANCE OF THE BOARD, ITS COMMITTEE AND INDIVIDUAL DIRECTORS

- 5.1 The Nomination & Governance Committee institutes processes to monitor Board performance individually and collectively and reports the outcome to the Board. The general management and oversight of the processes together with development of appropriate Board member performance assessment measures will be the ultimate responsibility of the Chairman.
- 5.2 Annually, the Chairman will facilitate a review of Board and Directors' performances. The Chairman will determine the manner and extent of the review and report on the outcome of the review at the subsequent Board Meeting. Unless otherwise determined the Audit Committee Chairman will review the performance of the Chairman in the same manner.
- 5.3 Periodically, each Director will be required to complete a questionnaire, assessing the Board, procedures and practices, and working relationships between themselves and management. Completed questionnaires will be summarised by the Company Secretary for the Chairman who may, discuss the responses with individual directors as necessary. The Chairman will present the outcome of the review at a Board meeting.
- 5.4 Possible use of an external facilitator to conduct a more extensive review of the Board's performance may also be considered.
- 5.5 The Chairman may also hold individual discussions with relevant senior managers to ascertain their views on Board and Board Committee performance.
- 5.6 The review of Board Committee performance is to be coordinated by the relevant Committee Chairman. The assessment process should be in a similar manner to the Board.
- 5.7 The performance of the MD/CEO is reviewed on an annual basis and is usually done by the Chairman. Performance is measured against specific targets as the MD/CEO is entitled to other rewards and given a remuneration package, which is not available to non-executive directors.

In order for the review of the MD/CEO's performance to be carried out fairly and objectively it is to be based on criteria approved by the Board and the MD/CEO. Prior to carrying out the review, the Chairman may obtain feedback from non-executive directors.

- 5.8 Feedback from major shareholders on the Board's or individual Directors' performance may be considered by the Board in their succession planning.
- 5.9 This process may be adapted to reflect the Company's current circumstances

6. BOARD MEMBERS' TENURE OF OFFICE

- 6.1 A non-Executive Director (including the Chairman) who reaches their 70th birthday between the date of the notice calling an Annual General Meeting and the date of that meeting will retire at the end of the Annual General Meeting.
- 6.2 The Board has adopted a policy that, except where paragraph 6.2 applies, directors will retire permanently and not to be eligible for re-election after a tenure of 11 years or after their 70th Birthday, whichever occurs first.
- 6.4. An Executive Director must retire on the date on which he or she ceases to be an employee of the Company.

7. POLICY AND PROCEDURES ON NOMINATION, SELECTION AND APPOINTMENT OF NEW DIRECTORS

- 7.1 Where a vacancy exists or if the Board considers that it would benefit from the services of a new Director, the Nomination and Governance Committee ("Committee") will make recommendations to the Board to identify the appropriate qualities, expertise, diversity, experience and competencies that would be appropriate for a new director.
- 7.2 In order to determine whether there is a need for another director, the Committee will consider relevant factors which may include the size and composition of the Board, relevant internal guidelines and legislative requirements in relation to board composition, the Company's strategic goals and having an appropriate balance and diversity of specialist skills, age, gender, and board, industry and geographic experiences.
- 7.3 Once the specifications of the potential candidate are determined a process for identifying suitable candidates will be conducted. Board members may recommend suitable candidates. If required, professional recruiters may be engaged to undertake the search.
- 7.4 Factors to be considered in identifying potential candidates may include among other things, relevant skills and expertise, capacity to devote the necessary time and commitment to the role, potential conflicts of interests and independence.

- 7.5 The Committee will review and short list potential candidates. The Chairman or one or more Directors will approach potential candidates and report back to the Committee on their discussions. The Committee will then make a recommendation to the Board.
- 7.6 Upon reaching agreement on a candidate they may be invited to meet the other directors, the CEO and CFO as appropriate. This is an opportunity for the candidate to ask questions about the Company, Board and management and vice versa.
- 7.7 A decision on the appointment will be made by the Board and communicated to the candidate through the Chairman. If the appointment is accepted by the candidate, the Secretary is to attend to the procedural matters for appointment of a new director.
- 7.8 Subject to the Company's Constitution, legislation and ASX Listing Rules, the Board's internal guidelines state that non-Executive Directors will ordinarily be appointed and hold office for a maximum term of eleven years.
- 7.9 This policy and procedures may be adapted to reflect the Company's current circumstances.

8. PROCEDURE ON ELECTION AND RE-ELECTION OF DIRECTORS AT ANNUAL GENERAL MEETING

- 8.1 In summary, the Company's Constitution states that:
- (a) One-third of the Directors (other than the MD), but not more than one-third, must retire from office and are eligible for re-election at each Annual General Meeting ("AGM");
 - (b) A director appointed by the Board during the year must retire at the next AGM and is eligible for election;
 - (c) The number of directors to be taken into account in determining who are to retire by rotation at the AGM does not include director(s) in item (b).
 - (d) A director must retire from office at the conclusion of the third AGM after which the Director was elected or re-elected.
 - (e) The directors to retire are the directors longest in office since last being elected.
 - (f) As between directors who were elected on the same day and there is no agreement between them as to who will retire, the director to retire will be determined by a ballot.
- 8.2 In addition, the ASX Listing Rules requires an election of directors to be held each year. Therefore, it is possible that a director may be up for re-election more than once in the span of three years.
- 8.3 When nominating for election or re-election, a Director may provide a verbal and/or written statement to the Board setting out their reasons for

seeking election or re-election. These reasons together with the director's biographical details and other particulars supporting their election or re-election may be included in the explanatory note of the AGM Notice.

8.4 The Board may form a view whether it does or does not support the election or re-election of each director and this view should be included in the AGM Notice. Relevant factors to be considered when forming this view may include:

- Attendance and contribution at meetings/discussions;
- Relevant skills and expertise;
- Relationship with other directors and senior management;
- Other commitments.

9. DIRECTOR'S DEED OF APPOINTMENT

9.1 Each non-Executive Director will be provided with a Letter of Appointment, which sets out information about the Board. They will also be required to enter into a Deed of Appointment with the Company.

9.2 The Deed of Appointment is in standard terms which have been approved by the Board and implements provisions with respect to:

- Right of access to Board papers
- Indemnification of the Director
- Obligations of the Director
- Insurance of the Director
- Other directorships
- Disclosure
- Right to obtain independent professional advice; and
- Dealing in the Company's shares

9.3 Executive Director will be provided with a Letter of Appointment and a Deed of Access with the Company.

10. CHANGES TO THESE GUIDELINES

10.1 No changes to these guidelines should be made without the approval of a substantial majority of the Board of Directors.

10.2 These guidelines will be reviewed whenever need arises by the Nomination & Governance Committee

PAPERLINX LIMITED
NOMINATION & GOVERNANCE COMMITTEE
CHARTER

OBJECTIVES

To assist the Board in fulfilling its responsibilities regarding the appointment and performance of directors and related matters and corporate governance generally.

1. COMPOSITION

The membership of this Committee shall include at least the Chairman of the Board, (who will be Chairman of this Committee), and two other directors. A majority of the members should be independent non-executive directors.

Chairman:	Mr Robert Kaye SC
Non-Executive Director :	Mr Mike Barker
Executive Director:	Mr Andrew Price
Secretary:	Ms Michelle Wong

2. TERMS OF REFERENCE

Duties / Scope - the Committee is to:

2.1 determine and make recommendations to the Board on:

- the composition and structure of the Board;
- the necessary and desirable competencies of directors
- the appointment and re-election of directors;
- review of board succession plans and board renewal
- selection and appointment of the Managing Director and / or CEO and Executive Director;
- the performance, remuneration package and incentive scheme for the Managing Director;
- the remuneration of Non-Executive Directors;
- the term of Board appointments;
- the rotation of Directors on committees;
- Director induction and continuing education;

- implementation of the Company's Continuous Disclosure Policy;
- agenda items to be consideration at Shareholder General Meetings.

- 2.2 keep all aspects of corporate governance under review, including to review compliance with the ASX Corporate Governance Principles & Recommendations and to approve the commentary on corporate governance to be included in any external publication including the Annual Report.
- 2.3 establish and review adherence to an appropriate Code of Conduct for the Board and senior management.
- 2.4 institute processes to monitor Board performance individually and collectively and, through the Chairman, report to the Board on the same; and
- 2.5 review news releases relating to the half year and full year financial results, and other releases relating to price sensitive information as referred to the Committee by the Chairman.

3. MEETINGS

The Committee shall meet as required, but not less than twice a year.

4. QUORUM

Two members of the Committee including the Chairman shall form a quorum. The Managing Director and CEO should not be present at any discussions regarding their personal remuneration and / or incentive arrangements.

5. CALLING OF MEETINGS

Meetings shall be called by the Secretary as directed by the Board or any individual Director or at the request of the Chairman of the Committee.

6. MINUTES

Minutes of meetings of the Committee shall be kept by the Secretary and, after confirmation by the Committee, be presented at the next Board meeting.

PAPERLINX LIMITED

AUDIT COMMITTEE

CHARTER

OBJECTIVES

To assist the Board to fulfill its responsibilities in relation to the matters set out below:

- the reliability and appropriateness of reporting of financial information to users of the Company's financial reports, including adequacy of disclosures and application of accounting policies;
- the relationship with the external auditors;
- in relation to the internal audit function;
- the maintenance of an effective framework of business risk management including compliance, internal controls and assurance;
- the adequacy of the insurance programme.

1. COMPOSITION

Chairman:	Mr Mike Barker
Non-Executive Director:	Mr Robert Kaye SC
Executive Director:	Mr Andrew Price
Secretary	Ms Michelle Wong

A majority of the Committee members should be independent non-Executive Directors and the Committee should not be chaired by Board Chairman.

2. TERMS OF REFERENCE

2.1 **Duties / Scope** - The Committee is to:

in relation to the Company's accounts and financial reporting

- 2.1.1 Review the half year and annual accounts with management and the external auditors and report thereon to the Board as appropriate prior to their external release;
- 2.1.2 Review significant accounting standards and policy changes and where appropriate recommend them to the Board;
- 2.1.3 Monitor and report to the Board on the framework, adequacy and security of internal control and accounting and financial management systems;

- 2.1.4 Monitor and report to the Board on taxation management and compliance.

in relation to the Company's external auditors

- 2.1.5 Annually review the procedures associated with the selection of and recommendations for, appointment/removal of the external auditor and for rotation of audit partners;
- 2.1.6 Annually review and recommend to the Board, the scope of audit programmes, the terms of engagement of the external auditors and the audit fees and non audit services;
- 2.1.7 Monitor the working relationship between, and the effectiveness and independence of, the internal and external audit functions;
- 2.1.8 Annually review the performance and independence of the external auditors and obtain certification regarding the same to the satisfaction of the Committee;
- 2.1.9 Ensure adequate audit coverage for all major financial risks of the business and report to the Board on any issues arising from this coverage on a timely basis;
- 2.1.10 Review reports on significant items from the external auditors and report thereon to the Board as appropriate;
- 2.1.11 Ensure management responds promptly to the recommendations made by external auditors;
- 2.1.12 Review any disagreements between management and the external auditors on financial reporting.

in relation to the internal audit function

- 2.1.13 Evaluate the performance of and approve the appointment or replacement of the Group Internal Audit Manager and outsourced firms;
- 2.1.14 Provide an open communication channel between internal and external auditors and the Board;
- 2.1.15 Receive from the Group Internal Auditor summaries of significant issues and a full report where the overall rating is inadequate, and monitor that issues are being managed and rectified in an appropriate and timely manner. Significant issues arising from the internal audit program and reports are to be advised to the Board on a timely basis;
- 2.1.16 Review major capital project post-audits;
- 2.1.17 Review annually, the internal audit charter, internal audit plan and associated resourcing and performance of internal audit, with the Group Audit Manager;

in relation to the Company's risk management and compliance systems:

- 2.1.18 Monitor PaperlinX Group's risk management system;
- 2.1.19 Annually review the PaperlinX Group Business Risk Assessment program and its effectiveness;
- 2.1.20 Monitor compliance with covenants, pledges and other obligations in Funding Documentation;
- 2.1.21 Review all significant new PaperlinX Group commercial policies and review the compliance reporting of commercial policies and procedures;
- 2.1.22 Review major non-financial regulatory matters on a quarterly basis through the use of a compliance monitoring reporting regime which covers the following areas of exposure:
 - asset protection (including Insurance)
 - trade practices
 - commercial laws affecting the group
 - litigation
- 2.1.23 Reviewing the basis of the CEO and CFO's written statements as to the effective operation of PaperlinX Group's risk management and internal control systems in relation to financial reporting risks.

in relation to insurance

- 2.1.24 Review and recommend to the Board, the scope, cover and cost of the insurance program taken out for PaperlinX Group.

in relation to other matters

- 2.1.25 Conduct an annual self-assessment of the Committee's performance and priorities and review of the Charter.

3. MEETINGS

The Committee shall meet at least four times each year where February and August will focus predominantly on the half-yearly and yearly accounts. Other meetings will have strong emphasis on non-financial compliance issues.

The Managing Director, Chief Financial Officer, Group Internal Audit Manager and external audit partner are to attend ordinary meetings by invitation.

4. QUORUM

Two members of the Committee shall form a quorum.

5. CALLING OF MEETINGS

Meetings shall be called by the Secretary as directed by the Board or any individual Director or at the request of the Chairman of the Committee.

6. MINUTES

Minutes of meetings of the Committee shall be kept by the Secretary and after confirmation by the Committee be presented at the next Board Meeting.

AUDITOR INDEPENDENCE & ENGAGEMENT OF AUDITORS FOR NON-AUDIT WORK

The Company's auditors must be independent pursuant to the Corporations Act and ASX Corporate Governance Guidelines. The auditors' independence is reviewed by reference to the Act and Guidelines and standards agreed between the Company and the auditors which include the following:

- rotation of the senior audit partner every five years;
- annual confirmation by the auditor that it has satisfied all professional regulations relating to auditor independence;
- half yearly reporting on the levels of audit and non-audit fees, and
- Any non audit work performed by the company's external auditor must be carried out in accordance with the guidelines set out in Appendix A.

Appendix A

The following authority levels for non-audit work undertaken by the Company's external auditor have been established by the PaperlinX Board. Prior written approval must be gained before any work commences. Non-audit work estimated at costing:

- up to \$50,000 – approved by the Chief Financial Officer. Such work will be advised to the Committee in aggregate as part of preparation of the half and full year financial statements;
- \$50,000 to \$100,000 - approved by the Chief Financial Officer and advised to the Chairman of the Audit Committee; and
- Above \$100,000 - approved by Chairman of the Audit Committee and advised to the Board.

All engagements of the Company's Auditor for non-audit work should be advised to the Audit Committee as part of the Chief Financial Officer's regular report to the Committee.

In no circumstances should non-audit work be commissioned from the Auditors that may conflict with their audit responsibilities. In particular the external auditor is not permitted to provide any of the following services, (unless prior Audit Committee approval is gained in exceptional circumstances):

- bookkeeping
- financial information systems, design and implementation
- appraisal or valuation services, fairness opinions or contribution-in-kind requests (including impairment testing of a significant asset or liability)
- actuarial services
- internal audit outsourcing services
- management functions or human resources
- secondment to management positions
- broker or dealer, investment adviser or investment banking services.
- legal services and expert services unrelated to audit
- taxation advice
- acquisition due diligence (except for transaction support)
- any other non-audit service that may conflict with the Auditor's audit responsibilities

Where an individual auditor or the audit firm engages in group audit requirements or local statutory audit requirements and a potential or actual conflict of interest situation arises, exists or occurs, the individual auditor or the audit firm is to take all reasonable steps to ensure that the conflict of interest situation ceases to exist or is discontinued as soon as possible.

PAPERLINX LIMITED**REMUNERATION & HUMAN RESOURCES COMMITTEE****CHARTER****OBJECTIVES**

To assist the Board in fulfilling its responsibilities regarding remuneration policies and human resources matters generally by undertaking detailed reviews, providing the Board with recommendations on issues for decision, and raising for consideration issues requiring input from other Directors.

1. COMPOSITION

Chairman:	Mr Mike Barker
Non-Executive Directors:	Mr Robert Kaye SC
Executive Director:	Mr Andrew Price
Secretary:	Ms Michelle Wong

2. TERMS OF REFERENCE**Duties / Scope – The Committee is to:**

- 2.1 Review annually the Company's Remuneration policy and practices, in particular the strategic positioning and target levels of remuneration for fixed (cash and benefits) and at risk components.
- 2.2 Review the performance reports and remuneration packages for the Managing Director's direct reports and endorse any adjustments recommended by the Managing Director, as the Committee considers appropriate.
- 2.3 Review annual salary increase guidelines and budget for the organisation.
- 2.4 Review annually the parameters, targets and payments for the Short Term Incentive Plan for direct reports to the Managing Director and the parameters of the plan for managers at other levels.
- 2.5 Review the parameters and allocations of equity based plans, including:
 - participant lists
 - allocation methodology
 - actual allocations
 - performance tests and requirements
 - sourcing of shares (acquisition or issue of shares)
 - accounting costs
 - disclosure requirements
 - cash expenditures and plan expenses and costs

- modeling of outcomes, value transfers and cost-benefit analysis
 - vesting outcomes and/or payments and rewards.
- 2.6 Approve the appointment of remuneration consultants when seeking remuneration recommendations in relation to key management personnel (KMP) and ensure such recommendations are provided only to the Committee.
- This does not preclude management from dealing directly with remuneration consultants for the purpose of:
- Providing / obtaining remuneration facts and information, including that of a general nature relevant to all employees of PaperlinX; and
 - seeking remuneration advice and recommendations in relation to non-KMP.
- 2.7 Assist management to develop the structure for the Annual Remuneration Report. Review the content (drafted by management) of the Remuneration Report in the Annual Report.
- 2.8 Review Group policy on executive employment contracts and tender advice where appropriate.
- 2.9 Review termination commitments and payments for direct reports to the Managing Director.
- 2.10 Review strategy of Company superannuation, 401K and pension funds on a three yearly basis or sooner as required to ensure appropriate benefits are delivered to employees and compliance with local laws.
- 2.11 Review annually the People Strategy, programmes for management training and development and progress with Company Values.
- 2.12 Review annually the Organisation Capability and Talent Review for senior management
- 2.13 Review annually the Company Diversity Policy (recommend for approval to Board if appropriate) and progress towards diversity targets.
- 2.14 Review Group Human Resources policies from time to time, and specifically consistency of HR policy with company Values, Mission and stakeholder commitments and monitor significant changes on an ongoing basis.
- 2.15 Monitor compliance with Group Human Resources policies.
- 2.16 On an annual basis review employee relations issues within each region.
- 2.17 Review annually the HR component of the Board's Risk Table.
- 2.18 Review Committee Charter annually.

3. APPROVAL

Following review of each matter set out in 2 above, the Committee's role is to endorse the same where it considers it appropriate for recommendation to the full Board for approval where required.

4. MEETINGS

The Committee shall meet as and when required to deal with matters set out in 2 above. The frequency shall be no less than four times per annum.

5. QUORUM AND MEMBERSHIP

Two members of the Committee shall form a quorum. The global head of HR takes responsibility as management representative. All other attendees will be by invitation.

6. CALLING OF MEETINGS

Meetings shall be called by the Secretary as directed by the Board or any individual Director or at the request of the Chairman of the Committee.

7. MINUTES

Minutes of meetings of the Committee shall be kept by the Secretary and after confirmation by the Committee be presented at the next Board meeting.

PAPERLINX LIMITED

SALE AND PURCHASE OF PAPERLINX SHARES BY DIRECTORS

1. Directors should neither buy nor sell shares at any time when they possess information concerning the Company which if disclosed publicly could affect the market price of the Company's shares nor should they "deal" or "trade" in the Company's shares otherwise than as provided for in this memorandum.
2. When a share issue is made to PaperlinX shareholders:
 - (a) Directors may in whole or part exercise their option to take up, sell, renounce or let lapse their entitlements as shareholders.
 - (b) Executive Directors may apply for an allocation from any shares that are made available to employees, subject to the limitations of the schemes and the provisions of the Corporations Act and the Listing Rules of the ASX.
3. There may be other instances when Directors may acquire shares, such as where the Company has introduced a dividend reinvestment plan or an issue of shares to Directors has been approved by the Board, subject to satisfaction of any relevant ASX Listing Rules and PaperlinX Transacting in Company Securities policy.
4. Apart from the foregoing, Directors are not permitted to buy, sell or otherwise trade or deal in the Company's securities during specified blackout periods, being
 - (a) 1 June until the day following the announcement of the full year results;
 - (b) 1 month prior to announcement of the half year results; and
 - (c) any other periods advised by the Board.

There would be occasions when it is not proper for Directors to buy, sell or otherwise trade or deal in the Company's securities even though it is outside the blackout periods because of their knowledge of impending developments.

5. Directors who wish to sell or purchase the Company's shares should advise the Chairman of their intention in advance of the sale or purchase.
6. Directors should be mindful of the foregoing provisions when considering dealing in securities of listed associated companies of PaperlinX and/or securities of other companies with which PaperlinX may have potential relationships. Security dealings of this nature normally would be the subject of declaration of interest by the Director concerned.

7. Directors must immediately notify the Company Secretary of any change in their shareholding so that the Company can lodge notice of the change with the ASX pursuant to Listing Rules.

The Company Secretary has been authorised by directors individually to lodge Appendix 3Y notices with the ASX on their behalf, and will do so automatically when notified of changes in holdings.

Notes:

- (i) The above is to be read in conjunction with the Company's Transacting in Company's Securities Policy.
- (ii) These regulations should be treated as extending to persons acting for or who can readily be identified with Directors - such as husbands, wives, children, family trusts and family companies.
- (iii) "buy and purchase" and "sell and sale" (and similar expressions) in the context of this memorandum include the acquisition and disposition (as the case may be) of beneficial and/or legal ownership. For example:
- A sale by, or purchase from, a Director would involve a disposition or an acquisition (as the case requires) of both legal and beneficial ownership.
 - A transfer of a Director's shareholding from their name on the share register to a person or company to hold as trustee for the Director would involve a transfer of legal ownership but not beneficial ownership.
 - A transfer of a Director's shareholding from their name on the share register to a nominee company to provide security for a loan would involve a transfer of legal ownership to the nominee company with the Director retaining beneficial ownership so long as he is not in default under the loan arrangements.
- (iv) The same guidelines apply to senior staff members and others who have access to sensitive company information.
- (v) The Company has an internal procedure to track dealings by directors in the company's shares. However this does not absolve Directors from themselves notifying the Company as and when they have or intend to deal in the Company's shares.

PAPERLINX LIMITED

CORPORATE GOVERNANCE STATEMENT

A. INTRODUCTION

This statement outlines the general Corporate Governance practices under which PaperlinX is to operate.

The statement has been prepared recognising the following broad principles which have been adopted by the Board:

- **Board of Directors**

The Board of Directors has the overall responsibility for the corporate governance of the Company, including its strategic direction, the review of the plans established by the management team and the monitoring of performance against those plans.

- **Annual Review of Board Procedures**

The Board conducts formal annual reviews of the internal guidelines relating to corporate governance, Board membership and operation and committee structures. This process ensures that PaperlinX's Board procedures are continually reviewed and the highest standards of Board performance are maintained.

- **Committees of the Board**

To assist in the execution of its corporate governance responsibilities, the Board has established three committees - the Nomination and Governance Committee, Audit Committee and Remuneration & Human Resources Committee. Requirements for Board committees are reviewed regularly. All committees operate principally in a review or advisory capacity, except in cases where powers are expressly conferred on or delegated to a committee by the Board.

B. THE BOARD

The following represents aims that the Board will work towards over a period of time and it is recognised that there may not be total conformance to them at any one time.

1. **Board operation:**

The Guidelines for Board Operation has been set out earlier.

2. **Board Committees:**

- (a) Attachment 2 sets out the Charter and current membership of the Nomination and Governance Committee.
- (b) Attachment 3 sets out the Charter and current membership of the Audit Committee.
- (c) Attachment 4 sets out the Charter and current membership of the Remuneration & Human Resources Committee.
- (e) Membership of Board Committees will be reviewed annually and where practical will be rotated regularly.
- (f) Additional Committees will only be constituted if they will assist the overall operation of the Board.

3. **Board Proceedings:**

- (a) The Board will meet at appropriate intervals at least 6 times each year and additionally when and as often as required to enable it to fulfill its responsibilities.
- (b) The Board will periodically visit the major Company businesses and sites both in Australia and overseas.
- (c) The overall management of business of the Board meetings is the responsibility of the Chairman in consultation with the Managing Director.
- (d) The Chairman is responsible for ensuring that at each meeting the business of the meeting is properly dealt with and the Directors have the opportunity to carry out their own responsibilities.
- (e) Both Non-Executive and Executive Directors have the same rights and responsibilities in their capacities as Directors, and the Board must act as a whole when it is acting as a Board. However, the Board's responsibility to make judgments about the performance of management necessarily gives rise to a potential for conflict of interest. To that extent there is a difference between the roles of Non-Executive and Executive Directors.

To enable the Non-Executive Directors to carry out their particular role in this regard, they should meet separately from the Executive Directors from time to time. These meetings are not meetings of the Board and cannot make decisions. The substance of any discussions at these meetings should be reported by the Chairman to the Chief Executive Officer and or Managing Director if the latter is not present.

- (f) The Chief Executive Officer and or Managing Director will at each meeting report to the Board upon all matters and raise for discussion all issues of which, in carrying out their roles, the Directors should be aware and on which they should be entitled to express a view. As well the Directors should be made aware of matters which are likely to come into the public arena and of matters of material concern which may adversely or favourably affect the business or the Company.
- (g) The business of the Board over the year should include:
 - (i) Consideration and approval of plans and budgets, and forward strategic plans and estimates for all the businesses of the Company;
 - (ii) Consideration and approval of proposed variations of a material nature to approved plans and budgets;
 - (iii) Receiving and considering monthly reports from the Chief Financial Officer covering financial performance against budget and reasons for material variations and trends;
 - (iv) Regularly receiving and considering reports from the Chief Executive Officer and or Managing Director and other Executives covering all material aspects of the Company's business and operations, including key areas of risk and importance.
- (h) In their interaction at Board meetings and elsewhere, Directors must recognise that it is not their role to direct the day to day management of the business. However management must recognise that the Directors have the right to information they seek and that they have the right to receive answers to the questions they ask.
- (i) Each Executive Director and Executive General Manager is responsible for informing the Board, through the Chairman or the Chairman of the Audit Committee, of any matter which has come to their attention and of which other Directors should, but may not otherwise, be aware.

C. GENERAL PRINCIPLES CONCERNING MANAGEMENT

1. The Board should not itself manage the business, as this is delegated to the Chief Executive Officer and or Managing Director and management. However, the Board must put in place procedures and structures so that it is able to discharge its role of bearing ultimate responsibility.
2. The Board must set the framework within which the Company and its business units (including subsidiary companies) operate and, to an appropriate degree, oversee and supervise their operations. It must also respect the duties and responsibilities that directors of subsidiary companies have to those companies.

3. As well as having the ultimate responsibility for the operations of the Company and the interests of its shareholders, the Board must be aware of and have due respect to the obligations of the Company and its subsidiaries to other stakeholders, either as a matter of general law or as a result of particular regulations relating to particular businesses. In addition certain specific statutory obligations are imposed on Directors.

4. The Board must:
 - be satisfied with management's plans for carrying on and developing the business;
 - ensure that management will seek authority to undertake material changes to those agreed plans;
 - place limits on the extent to which to which management can commit resources or dispose of assets or raise funds without specific approval;
 - ensure that it is kept well informed of progress and events which might significantly affect the business; and
 - monitor, so far as it reasonably can, the performance of those senior members of management on whom it is relying for the proper management of the business and its key component parts.
 - be aware of any significant risks to employees, company standing, profit and assets and endorse management's action plans to mitigate such risks.

5. The formal delegation of management authority is to the Chief Executive Officer and or Managing Director, and he will be the prime source of information to the Board. Directors have the right to seek information from and question him. However, as Directors have the right of access to all information they might seek throughout the Company, they need to be able to question and discuss relevant issues with others as well, in appropriate ways and at appropriate times.

A major role of the Board is to be the body to which management is answerable. Subject to the oversight of the Board, it is for the Chief Executive Officer and or Managing Director, acting within his delegated authority, to determine how he conducts the management of the Company.

6. The Non-Executive members of the Board will not normally be the statutory directors of subsidiary companies in the Group. However, subject to its legal duties, the board of a subsidiary may, through management, obtain the views of the Board on relevant matters.

D. MATTERS REQUIRING BOARD ACTION

The following matters require Board action and are not within the authority delegated to the Chief Executive Officer and or Managing Director. There are other matters which by law or regulation or under the Company's Constitution or as recommended by the ASX Corporate Governance Council must be dealt with by the Board.

1. Appointment and remuneration of, and delegation of authority to, the Chief Executive Officer and or Managing Director and general approval of policies relating to sub-delegation.
2. Appointment of Company Secretary.
3. All matters relating to the issue of securities of the Company.
4. Appointment and remuneration of members of the Board.
5. Adoption of annual business plans and budgets and approval of longer term strategic plans for the Company and all business units.
6. Confirm or approve capital expenditure according to the authority limits as set out in the Company's Capital Expenditure Policy.
7. Acquisition or disposal of any business or strategic investment not contemplated in an approved business plan and budget.
8. Major external borrowings and commitments as agreed with the Chief Financial Officer.
9. Major guarantees of third parties and subsidiaries.
10. Initiation of litigation where the amount involved would exceed \$2 million.
11. Approval of all Accounts, Directors' Reports and Financial Statements for release to shareholders and the ASX.
12. Approval of General Meeting notice, Annual Report and any other significant report or release to the ASX or shareholders. Any press releases which relate to price sensitive information require approval Chairman who will liaise with the Board as necessary.
13. Declaration of dividends, distributions and bonuses.
14. Approval of appointment of the most senior executives who report directly to the Chief Executive Officer and or Managing Director, and approval of the term of appointment and remuneration of those executives.
15. Approval, oversight and review of:

- Audit functions and their performance including the appointment of internal and external auditors;
 - control and corporate governance functions and their performance;
 - human resources and remuneration policies and performance;
 - safety and environment matters.
16. Approval, oversight and review of the Company's Risk Management and Internal Control framework, including:
- environmental protection policies and performance; and
 - workplace and public safety policies and performance.
17. Oversight and review of corporate strategy and performance throughout the Company for all of business units.
18. Approving any political donations. Current policy is that no donations be made to any political party.
19. Approving any major donations proposed by the Managing Director.